



Independent Auditor's Report and Consolidated Financial Statements

June 30, 2021 and 2020



University of Mount Union

June 30, 2021 and 2020

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Independent Auditor's Report

Board of Trustees
University of Mount Union
Alliance, Ohio

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of the University of Mount Union (University) and its subsidiaries, which comprise the consolidated statements of financial position as of June 30, 2021 and 2020, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the University's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the University of Mount Union and its subsidiaries as of June 30, 2021 and 2020, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying financial responsibility supplemental schedule required by the U.S. Department of Education and the schedule of expenditures of federal awards as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we also have issued our report dated October 25, 2021, on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not provide an opinion on the effectiveness of the University's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

BKD, LLP

Fort Wayne, Indiana
October 25, 2021

University of Mount Union
Consolidated Statements of Financial Position
June 30, 2021 and 2020

	2021	2020
Assets		
Cash and cash equivalents	\$ 24,754,666	\$ 19,898,296
Accounts receivable, net of allowance; 2021 - \$498,471, 2020 - \$508,168	1,516,654	1,159,976
Contributions receivable, net of allowance; \$200,000	1,724,620	2,104,766
Inventory	153,969	309,969
Loans receivable	1,506,641	2,045,412
Investments	150,743,748	120,420,677
Beneficial interest in perpetual trusts and charitable remainder trusts	6,992,710	5,824,120
Annuity and life income funds held in trust	5,954,836	5,432,315
Property and equipment, net	141,836,122	145,104,306
Other assets	68,803	108,129
	<u>\$ 335,252,769</u>	<u>\$ 302,407,966</u>
Total assets		
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 1,732,949	\$ 1,849,288
Accrued expenses	4,173,859	7,889,359
Line of credit	1,681,967	773,726
Deposits and other	2,409,363	1,798,976
Annuities and trusts payable	1,377,606	1,547,653
Debt	17,881,119	20,060,156
Advances from Government for student loans	1,339,703	1,836,636
Total liabilities	<u>30,596,566</u>	<u>35,755,794</u>
Net Assets		
Without donor restrictions		
Undesignated	130,996,463	126,960,772
Designated by the Board for specific purpose and endowment	5,857,836	4,090,354
	<u>136,854,299</u>	<u>131,051,126</u>
With donor restrictions		
Perpetual in nature	78,010,506	74,600,730
Purpose restriction	88,350,987	59,739,092
Time-restricted for future periods	1,440,411	1,261,224
	<u>167,801,904</u>	<u>135,601,046</u>
Total net assets	<u>304,656,203</u>	<u>266,652,172</u>
Total liabilities and net assets	<u>\$ 335,252,769</u>	<u>\$ 302,407,966</u>

University of Mount Union
Consolidated Statement of Activities
Year Ended June 30, 2021

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Income and Other Support			
Educational and general			
Student tuition and fees, net	\$ 35,871,927	\$ -	\$ 35,871,927
Gifts and private grants	2,728,724	1,779,088	4,507,812
Government grants	5,853,808	-	5,853,808
Investment return designated for operations	5,694,363	-	5,694,363
Change in value of split-interest agreements	-	2,249,357	2,249,357
Other income	931,718	-	931,718
Total educational and general revenue	<u>51,080,540</u>	<u>4,028,445</u>	<u>55,108,985</u>
Auxiliary enterprises	12,140,562	-	12,140,562
Net assets released from restrictions	110,665	(110,665)	-
Total revenue, income and other support	<u>63,331,767</u>	<u>3,917,780</u>	<u>67,249,547</u>
Expenses			
Program services			
Instruction	22,959,137	-	22,959,137
Academic support	3,738,891	-	3,738,891
Student services	11,829,916	-	11,829,916
Auxiliary enterprises	9,047,788	-	9,047,788
Total program services	<u>47,575,732</u>	<u>-</u>	<u>47,575,732</u>
Institutional support	8,945,408	-	8,945,408
Fundraising	1,737,629	-	1,737,629
Total expenses	<u>58,258,769</u>	<u>-</u>	<u>58,258,769</u>
Change in Net Assets Before Investment Return Less Amounts Designated for Operations and Other Items			
Investment return less amounts designated for operations	5,072,998	3,917,780	8,990,778
Change in value of interest rate swap	353,175	28,652,741	29,005,916
Net assets released from restriction for capital	7,337	-	7,337
	<u>369,663</u>	<u>(369,663)</u>	<u>-</u>
Change in Net Assets	5,803,173	32,200,858	38,004,031
Net Assets, Beginning of Year	<u>131,051,126</u>	<u>135,601,046</u>	<u>266,652,172</u>
Net Assets, End of Year	<u>\$ 136,854,299</u>	<u>\$ 167,801,904</u>	<u>\$ 304,656,203</u>

University of Mount Union
Consolidated Statement of Activities
Year Ended June 30, 2020

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Income and Other Support			
Educational and general			
Student tuition and fees, net	\$ 36,460,249	\$ -	\$ 36,460,249
Gifts and private grants	5,943,059	216,180	6,159,239
Government grants	1,736,916	-	1,736,916
Investment return designated for operations	1,234,768	7,817,941	9,052,709
Change in value of split-interest agreements	-	(483,428)	(483,428)
Other income	738,098	-	738,098
Total educational and general revenue	<u>46,113,090</u>	<u>7,550,693</u>	<u>53,663,783</u>
Auxiliary enterprises	10,124,590	-	10,124,590
Net assets released from restrictions	7,870,406	(7,870,406)	-
Total revenue, income and other support	<u>64,108,086</u>	<u>(319,713)</u>	<u>63,788,373</u>
Expenses			
Program services			
Instruction	24,119,928	-	24,119,928
Academic support	3,780,783	-	3,780,783
Student services	11,476,859	-	11,476,859
Auxiliary enterprises	9,370,706	-	9,370,706
Total program services	<u>48,748,276</u>	<u>-</u>	<u>48,748,276</u>
Institutional support	7,351,401	-	7,351,401
Fundraising	1,911,310	-	1,911,310
Total expenses	<u>58,010,987</u>	<u>-</u>	<u>58,010,987</u>
Change in Net Assets Before Investment Return Less Amounts Designated for Operations and Other Items	6,097,099	(319,713)	5,777,386
Investment return less amounts designated for operations	(254,921)	(7,817,941)	(8,072,862)
Change in value of interest rate swap	(12,616)	-	(12,616)
VSIP expense	(2,706,869)	-	(2,706,869)
Net assets released from restriction for capital	<u>2,756,072</u>	<u>(2,756,072)</u>	<u>-</u>
Change in Net Assets	5,878,765	(10,893,726)	(5,014,961)
Net Assets, Beginning of Year	<u>125,172,361</u>	<u>146,494,772</u>	<u>271,667,133</u>
Net Assets, End of Year	<u>\$ 131,051,126</u>	<u>\$ 135,601,046</u>	<u>\$ 266,652,172</u>

University of Mount Union
Consolidated Statements of Functional Expenses
Years Ended June 30, 2021 and 2020

	Program Services				Total Program	Institutional Support	Fundraising	Total
	Instruction	Academic Support	Student Services	Auxiliary Enterprises				
2021								
Salaries and benefits	\$ 16,882,798	\$ 2,005,819	\$ 6,196,996	\$ 3,527,727	\$ 28,613,340	\$ 3,117,767	\$ 1,257,980	\$ 32,989,087
Supplies and equipment	1,496,856	1,182,824	837,197	1,669,660	5,186,537	2,397,384	128,912	7,712,833
Depreciation	2,417,617	294,448	685,905	1,559,818	4,957,788	732,627	90,672	5,781,087
Plant and maintenance	1,116,199	111,908	965,280	514,457	2,707,844	395,163	47,967	3,150,974
Utilities	646,003	78,142	470,543	777,866	1,972,554	602,596	68,497	2,643,647
Travel, meals and lodging	196,911	40,990	593,551	9,466	840,918	184,107	109,923	1,134,948
Interest and fees	44,183	10,492	253,171	980,574	1,288,420	403,034	14,082	1,705,536
Professional fees	55,078	10,438	332,941	5,208	403,665	622,342	124	1,026,131
Student relief	-	-	1,341,130	-	1,341,130	-	-	1,341,130
Marketing	103,492	3,830	153,202	3,012	263,536	490,388	19,472	773,396
	<u>\$ 22,959,137</u>	<u>\$ 3,738,891</u>	<u>\$ 11,829,916</u>	<u>\$ 9,047,788</u>	<u>\$ 47,575,732</u>	<u>\$ 8,945,408</u>	<u>\$ 1,737,629</u>	<u>\$ 58,258,769</u>

	Program Services				Total Program	Institutional Support	Fundraising	Total
	Instruction	Academic Support	Student Services	Auxiliary Enterprises				
2020								
Salaries and benefits	\$ 17,928,103	\$ 1,926,609	\$ 6,311,341	\$ 3,833,064	\$ 29,999,117	\$ 3,515,119	\$ 1,297,603	\$ 34,811,839
Supplies and equipment	1,443,735	1,177,713	845,154	1,283,924	4,750,526	631,741	149,923	5,532,190
Depreciation	2,326,115	283,304	659,944	1,500,782	4,770,145	704,898	87,240	5,562,283
Plant and maintenance	1,122,145	144,760	827,641	831,318	2,925,864	383,440	46,131	3,355,435
Utilities	558,576	75,770	443,275	760,591	1,838,212	543,634	71,548	2,453,394
Travel, meals and lodging	492,802	144,404	839,652	18,184	1,495,042	266,080	167,744	1,928,866
Interest and fees	35,353	11,947	241,276	1,139,907	1,428,483	545,520	13,836	1,987,839
Professional fees	47,532	13,449	269,116	1,242	331,339	620,954	7,874	960,167
Student relief	-	-	868,458	-	868,458	-	-	868,458
Marketing	165,567	2,827	171,002	1,694	341,090	140,015	69,411	550,516
	<u>\$ 24,119,928</u>	<u>\$ 3,780,783</u>	<u>\$ 11,476,859</u>	<u>\$ 9,370,706</u>	<u>\$ 48,748,276</u>	<u>\$ 7,351,401</u>	<u>\$ 1,911,310</u>	<u>\$ 58,010,987</u>

University of Mount Union
Consolidated Statements of Cash Flows
Years Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Operating Activities		
Change in net assets	\$ 38,004,031	\$ (5,014,961)
Items not requiring (providing) operating activities cash flows		
Realized and unrealized (gains) losses on investments	(30,783,005)	1,734,036
Loss on sale of property and equipment	54,519	-
Depreciation	5,781,087	5,562,283
Amortization of bond issuance costs	218,513	26,914
Change in allowance for uncollectible accounts and contributions receivable	(9,697)	119,210
Contributions received restricted for long-term investment	(1,339,514)	(1,500,770)
Contributions received restricted for acquisition of long-lived assets	(1,225,355)	(944,226)
Changes in		
Accounts, loans and contributions receivable	571,936	2,978,048
Inventory	156,000	(78,199)
Other assets	39,326	(60,873)
Accounts payable and accrued expenses	(4,572,311)	3,406,531
Annuities and trusts payable	(170,047)	(6,997)
Annuity and life income funds held in trust and beneficial interests in perpetual trusts and charitable remainder trusts	(1,691,111)	750,641
Deposits and other	610,387	(2,132)
Advances from government for student loans	(496,933)	(963,436)
Net cash provided by operating activities	<u>5,147,826</u>	<u>6,006,069</u>
Investing Activities		
Purchase of property and equipment	(1,826,950)	(5,534,672)
Proceeds from disposal of property and equipment	-	162,975
Purchase of investments	(33,112,912)	(12,133,344)
Proceeds from sales of investments	33,572,846	14,898,612
Net cash used in investing activities	<u>(1,367,016)</u>	<u>(2,606,429)</u>
Financing Activities		
Payments on bonds and notes payable	(10,176,317)	(1,799,612)
Proceeds from issuance of bonds payable	7,982,711	-
Payment of bond issuance costs	(203,944)	-
Proceeds from borrowing on line of credit	908,241	773,726
Contributions received restricted for long-term investment	1,339,514	1,500,770
Contributions received restricted for acquisition of long-lived assets	1,225,355	944,226
Net cash provided by financing activities	<u>1,075,560</u>	<u>1,419,110</u>
Increase in Cash and Cash Equivalents	4,856,370	4,818,750
Cash and Cash Equivalents, Beginning of Year	<u>19,898,296</u>	<u>15,079,546</u>
Cash and Cash Equivalents, End of Year	<u>\$ 24,754,666</u>	<u>\$ 19,898,296</u>
Supplemental Cash Flows Information		
Fixed assets in accounts payable	\$ 846,237	\$ 105,765
Cash paid for interest	924,670	862,669

University of Mount Union
Notes to Consolidated Financial Statements
June 30, 2021 and 2020

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

University of Mount Union (University) is a private tax-exempt, nonprofit educational institution located in Alliance, Ohio. The University is an institution of higher education that offers undergraduate and graduate programs designed to meet the needs of the student body. The University's primary source of revenue is from tuition and auxiliary services from students.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue, expenses gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Principles of Consolidation

The consolidated financial statements include the accounts of the University of Mount Union and its wholly-owned subsidiaries Raiders Corner, LLC and Raiders Penn, LLC. These subsidiaries were formed to hold title to and lease certain real property. All material interorganizational accounts and transactions have been eliminated in consolidation.

Cash and Cash Equivalents

For purposes of reporting cash flows, the University considers all liquid investments with original maturities of three months or less to be cash equivalents. At June 30, 2021 and 2020, cash equivalents consisted primarily of repurchase agreements.

Uninvested cash and cash equivalents included in investment accounts, including endowment accounts, are not considered to be cash and cash equivalents.

At June 30, 2021, the University's cash accounts exceeded federally insured limits by approximately \$27,700,000.

Investments and Investment Return

Investments in equity securities having a readily determinable fair value and all debt securities are carried at fair value. Other investments are valued at fair value. Investment return includes dividend, interest and other investment income and realized and unrealized gains and losses on investments carried at fair value.

Investment return that is initially restricted by donor stipulation and for which the restriction will be satisfied in the same year is included in net assets without donor restrictions. Other investment return is reflected in the statements of activities as net assets with or without donor restrictions based upon the existence and nature of any donor or legally imposed restrictions.

University of Mount Union
Notes to Consolidated Financial Statements
June 30, 2021 and 2020

The University maintains pooled investment accounts for its endowments. Investment income and realized and unrealized gains and losses from securities in the pooled investment accounts are allocated monthly to the individual endowments based on the relationship of the fair value of the interest of each endowment to the total fair value of the pooled investment accounts, as adjusted for additions to or deductions from those accounts.

Accounts and Loans Receivable

Accounts receivable are stated at the amount of consideration from students of which the University has an unconditional right to receive. The University provides an allowance for doubtful accounts, which is based upon a review of outstanding receivables, historical collection information and existing economic conditions. Tuition is generally due at the beginning of the semester unless the student has signed a payment plan. Accounts that are unpaid after the due date bear interest at 1 percent per month. Accounts past due more than 120 days are considered delinquent. Delinquent receivables are written off based on individual credit evaluation and specific circumstances of the student.

Loans receivable consist primarily of amounts due under the Federal Perkins Loan Program and are stated at their outstanding principal amount, net of an allowance for doubtful loans. Principal and interest payments on loans generally do not commence until after the borrower graduates or otherwise ceases enrollment. The University provides an allowance for doubtful loans which is based upon a review of outstanding loans, historical collection information and existing conditions. Loans that are delinquent continue to accrue interest. Loans that are past due for at least one payment are considered delinquent. Delinquent loans are written off based on individual credit evaluation and specific circumstances of the student.

Property and Equipment

Property and equipment are recorded at cost and depreciated on a straight-line basis over the estimated useful life of each asset. Assets under capital lease obligations and leasehold improvements are depreciated over the shorter of the lease term or their respective estimated useful lives. The University provides for depreciation on the straight-line method at rates designed to depreciate the cost of assets over estimated useful lives as follows:

	Years
Buildings	50
Equipment and vehicles	3 - 15
Land improvements	15
Software	5

University of Mount Union
Notes to Consolidated Financial Statements
June 30, 2021 and 2020

Long-lived Asset Impairment

The University evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset is less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value.

No asset impairment was recognized during the years ended June 30, 2021 and 2020.

Net Assets

Net assets, revenues, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Net assets without donor restrictions are available for use in general operations and not subject to donor restrictions. The governing Board has designated, from net assets without donor restrictions, net assets for board-designated endowment. Net assets with donor restrictions are subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Contributions

Contributions are provided to the University either with or without restrictions placed on the gift by the donor. Revenues and net assets are separately reported to reflect the nature of those gifts – with or without donor restrictions. The value recorded for each contribution is recognized as follows:

Nature of the Gift	Value Recognized
<i>Conditional gifts, with or without restriction</i>	
Gifts that depend on the University overcoming a donor-imposed barrier to be entitled to the funds	Not recognized until the gift becomes unconditional, <i>i.e.</i> , the donor-imposed barrier is met
<i>Unconditional gifts, with or without restriction</i>	
Received at date of gift – cash and other assets	Fair value
Received at date of gift – property, equipment and long-lived assets	Estimated fair value
Expected to be collected within one year	Net realizable value
Collected in future years	Initially reported at fair value determined using the discounted present value of estimated future cash flows technique

University of Mount Union
Notes to Consolidated Financial Statements
June 30, 2021 and 2020

In addition to the amount initially recognized, revenue for unconditional gifts to be collected in future years is also recognized each year as the present value discount is amortized using the level-yield method.

When a donor stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Absent explicit donor stipulations for the period of time that long-lived assets must be held, expirations of restrictions for gifts of land, buildings, equipment and other long-lived assets are reported when those assets are placed in service.

Gifts and investment income having donor stipulations which are satisfied in the period the gift is received are recorded as revenue and net assets without donor restrictions.

Conditional contributions having donor stipulations which are satisfied in the period the gift is received are recorded as revenue and net assets without donor restrictions.

Inventory Pricing

Inventories consist of books and supplies and are stated at the lower of cost or net realizable value. Cost is determined using the first-in, first-out (FIFO) method.

Government Grants

Support funded by grants is recognized as the University meets the conditions prescribed by the grant agreement, performs the contracted services or incurs outlays eligible for reimbursement under the grant agreements. Grant activities and outlays are subject to audit and acceptance by the granting agency and, as a result of such audit, adjustments could be required.

Unamortized Financing Costs

Financing costs and any associated premium related to the University's long-term debt is amortized over the term of the related debt.

Income Taxes

The University is exempt from income taxes under Section 501 of the Internal Revenue Code and a similar provision of state law. However, the University is subject to federal income tax on any unrelated business taxable income. The University files tax returns in the U.S. federal jurisdiction.

Functional Allocation of Expenses

The costs of supporting the various programs and other activities have been summarized on a functional basis in the statement of activities. The statements of functional expenses present the natural classifications detail of expenses by function. Certain costs have been allocated among the educational activities, institutional support and fundraising categories based on time and effort.

University of Mount Union
Notes to Consolidated Financial Statements
June 30, 2021 and 2020

Self-Insurance

The University has elected to self-insure certain costs related to employee health insurance. Costs resulting from noninsured losses are charged to expense when incurred. The University has purchased insurance that limits its exposure for individual claims and that limits its aggregate exposure to approximately \$3,726,000.

Note 2: Investments and Investment Return

Investments at June 30 consisted of the following:

	2021		2020	
	Cost	Fair Value	Cost	Fair Value
Money market funds	\$ 10,124,585	\$ 10,124,585	\$ 10,748,605	\$ 10,748,605
U.S. Treasury securities and Government agency bonds	1,927,472	1,988,655	1,484,810	1,691,583
Corporate debt securities	5,223,640	6,217,029	3,440,093	3,712,980
Mortgage-backed securities, GSEs	310,967	311,312	535,171	552,217
Municipal bonds	223,039	221,576	233,988	233,703
Mutual funds				
Domestic equity mutual funds	29,350,172	42,448,887	22,406,749	26,046,691
Fixed income mutual funds	15,255,027	15,533,595	13,046,252	13,159,783
International and emerging market mutual funds	17,697,928	26,535,535	19,747,941	21,058,254
Alternative funds	8,798,233	10,050,510	8,721,738	8,662,513
Common stocks				
Industrials	1,452,161	2,451,930	1,316,964	1,586,710
Consumer discretionary	622,306	2,101,897	554,520	1,782,310
Consumer staples	840,869	1,025,999	1,100,713	1,093,720
Energy	705,348	949,253	664,523	593,500
Financial	2,141,093	4,036,563	1,827,021	2,304,884
Materials	962,823	1,109,776	902,709	653,508
Information technology	2,723,142	5,758,044	2,432,659	4,621,289
Health care	2,857,683	3,922,881	2,561,995	3,309,146
Other	1,484,006	3,451,196	1,562,396	2,635,406
Alternative investments				
Limited partnerships	-	-	2,372,486	6,248,801
Hedge funds	6,022,974	9,804,525	5,313,319	7,177,074
Investment in real estate	1,403,369	2,700,000	1,403,369	2,548,000
	\$ 110,126,837	\$ 150,743,748	\$ 102,378,021	\$ 120,420,677

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Investments were held for the following purposes at June 30:

	2021		2020	
	Cost	Fair Value	Cost	Fair Value
Endowment	\$ 110,066,508	\$ 150,678,461	\$ 101,495,035	\$ 119,537,217
Other	60,329	65,287	882,986	883,460
	<u>\$ 110,126,837</u>	<u>\$ 150,743,748</u>	<u>\$ 102,378,021</u>	<u>\$ 120,420,677</u>

Alternative Investments

The fair value of alternative investments has been estimated using the net asset value per share of the investments. Alternative investments held at June 30 consist of the following:

	June 30, 2021			
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Multi-strategy hedge funds (A)	\$ 9,804,525	None	Quarterly	65 - 90 days
Limited partnerships (B)	-	None	Monthly	7 days

	June 30, 2020			
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Multi-strategy hedge funds (A)	\$ 7,177,074	None	Quarterly	65 - 90 days
Limited partnerships (B)	6,248,801	None	Monthly	7 days

(A) This category includes investments in hedge funds that pursue multiple strategies to diversify risks and reduce volatility. The funds' composite portfolio includes investments in various private investment funds that employ various long/short, macro and absolute return strategies.

(B) This category includes an investment in a limited partnership that primarily invests and takes long positions in U.S. and foreign common stocks. Management of the fund has the ability to shift investments and strategies.

Total investment return is comprised of the following:

	2021	2020
Interest and dividend income	\$ 3,917,274	\$ 2,713,883
Net realized gains (losses) on investments reported at fair value	8,208,749	(578,860)
Net unrealized gains (losses) on investments reported at fair value	<u>22,574,256</u>	<u>(1,155,176)</u>
	<u>\$ 34,700,279</u>	<u>\$ 979,847</u>

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Total investment return is reflected in the statements of activities as follows:

	2021	2020
Operating income	\$ 5,694,363	\$ 9,052,709
Other nonoperating income (loss)	29,005,916	(8,072,862)
	\$ 34,700,279	\$ 979,847

Note 3: Contributions Receivable

Contributions receivable at June 30 consisted of the following:

	2021	2020
Due within one year	\$ 571,263	\$ 430,462
Due in one to five years	1,393,148	1,951,957
Due in five to ten years	55,000	58,475
	2,019,411	2,440,894
Less		
Allowance for uncollectible contributions	(200,000)	(200,000)
Unamortized discount (2.00%)	(94,791)	(136,128)
	\$ 1,724,620	\$ 2,104,766

Note 4: Beneficial Interest in Perpetual Trusts and Remainder Trusts

The University is the beneficiary under perpetual trusts administered by outside parties. Under the terms of the trusts, the University has the irrevocable right to receive income earned on the trust assets in perpetuity, but never receives the assets held in trust. The estimated value of the expected future cash flows is \$6,762,673 and \$5,492,560, which represents the fair value of the trust assets at June 30, 2021 and 2020, respectively.

The University is also the beneficiary under charitable remainder trusts administered by outside parties. Under the terms of the trusts, the University has the irrevocable right to receive a remainderment of trust assets at a future date. The present value of the expected future cash flows is \$230,037 and \$331,560 at June 30, 2021 and 2020, respectively. The discount rates used to calculate the present value were 4 percent to 6 percent.

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Note 5: Property and Equipment

Property and equipment at June 30 consisted of the following:

	2021	2020
Land and land improvements	\$ 25,557,388	\$ 25,256,360
Buildings	198,016,880	197,821,206
Equipment, vehicles and software	22,062,262	22,140,476
Construction in progress	883,642	212,737
	246,520,172	245,430,779
Less accumulated depreciation and amortization	(104,684,050)	(100,326,473)
	\$ 141,836,122	\$ 145,104,306

Note 6: Line of Credit

The University has a \$5,000,000 revolving bank line of credit, expiring January 15, 2022. There was \$1,681,967 and \$773,726 borrowed against this line at June 30, 2021 and 2020, respectively. Interest varies with LIBOR (London Interbank Offering Rate) and is payable monthly. The interest rate was 1.90 percent at June 30, 2021.

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Note 7: Debt

	2021	2020
2010 Series Ohio Higher Educational Facility Revenue Bonds at 2.0% to 5.125%, which consist of \$2,960,000 of serial bonds due October 1, 2011-2020, and \$8,440,000 term bonds due October 1, 2025 and 2035. Unamortized bond issuance costs were \$218,512 at June 30, 2020. These bonds were paid off with the proceeds from the 2020 issuance.	\$ -	\$ 8,815,000
2017 Series Ohio Higher Educational Facility Revenue Bonds at 3.0% to 4.25%, payable in quarterly installments ranging from \$129,748 to \$496,346, with final payment due October 2031. Unamortized bond issuance costs were \$123,462 at June 30, 2021 and 2020.	9,175,815	9,887,130
2020 Series Ohio Higher Educational Facility Revenue Bonds bearing interest at 2.52% until the adjustment date of June 15, 2030, payable in quarterly installments ranging from \$114,419 to \$328,029, with final payment due December 2035. Unamortized bond issuance costs were \$203,945 at June 30, 2021.	7,982,711	-
Note payable, unsecured, interest rate of 1.40% plus the one month LIBOR rate, payable in monthly installments of \$33,333 beginning on April 1, 2012, with final payment due March 2022.	300,000	700,000
Note payable, unsecured, interest rate of 1.40% plus the one month LIBOR rate, payable in monthly installments of \$20,833 beginning on July 18, 2014, with final payment due June 2024.	750,000	1,000,000
	18,208,526	20,402,130
Less: Unamortized bond issuance costs	(327,407)	(341,974)
	\$ 17,881,119	\$ 20,060,156

In connection with the issuance of 2020 and 2017 series of tax-exempt bonds by the state for the benefit of the University, the University has leased to the state, and the state has subleased to the University, the related buildings, land and equipment. The University does not receive rental payments under its leases to the state and is required only to make rental payments to the state at times and in amounts sufficient to pay principal and interest on the outstanding tax-exempt bonds under its leases from the state. The lease agreements expire upon repayment of all indebtedness secured by the leases.

Aggregate annual maturities of debt at June 30, 2021, are:

2022	\$ 1,745,226
2023	1,479,537
2024	1,514,228
2025	1,301,147
2026	1,338,525
Thereafter	10,829,863
	\$ 18,208,526

The debt agreements contain certain financial covenants. As of June 30, 2021 and 2020, the University is not aware of any violations of these covenants.

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The University charged \$832,041 and \$858,188, to interest expense for the years ended June 30, 2021 and 2020, respectively.

Note 8: Annuities and Trusts Payable

The University has been the recipient of several gift annuities, which require future payments to the donor or their named beneficiaries. The assets received from the donor are recorded at fair value. The University has recorded a liability at June 30, 2021 and 2020, of \$293,218 and \$341,974, respectively, which represents the present value of the future annuity obligations. The liability has been determined using discount rates ranging from 2 percent to 8 percent.

The University administers various charitable remainder trusts. A charitable remainder trust provides for the payment of distributions to the grantor or other designated beneficiaries over the trust's term (usually the designated beneficiary's lifetime). At the end of the trust's term, the remaining assets are available for the University's use. The portion of the trust attributable to the future interest of the University is recorded in the statements of activities as restricted contributions in the period the trust is established. Assets held in the charitable remainder trusts are recorded at fair value in the University's statements of financial position. On an annual basis, the University revalues the liability to make distributions to the designated beneficiaries based on actuarial assumptions. The present value of the estimated future payments is calculated using discount rates of 2 percent to 8 percent and applicable mortality tables. The University has recorded a liability at June 30, 2021 and 2020, of \$1,084,388 and \$1,205,679, respectively.

Note 9: Derivative Financial Instruments — Interest Rate Swap Agreements

As a strategy to maintain acceptable levels of exposure to the risk of changes in future cash flows due to interest rate fluctuations, the University entered into an interest rate swap agreement for its variable rate debt. On February 17, 2012, the University entered into a 10-year interest rate swap agreement with the intent of reducing the impact of changes in interest rates on its Huntington National Bank variable rate debt. The agreement provides for the University to receive interest from the counterparty at the USD-SIFMA Municipal Swap Index rate and to pay interest to the counterparty at a fixed rate of 2.95 percent on a notional amount of \$300,000 and \$700,000 at June 30, 2021 and 2020, respectively. The difference between the rates, is settled monthly and is included in interest expense. The agreement is recorded at fair value with subsequent changes in fair value included in other items.

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The table below presents certain information regarding the University's interest rate swap agreements:

	<u>2021</u>	<u>2020</u>
Fair value of asset (liability) for interest rate swap agreement	<u>\$ (1,844)</u>	<u>\$ (9,181)</u>
Statement of financial position location of fair value amount	Accrued expenses	Accrued expenses
Loss recognized in change in net assets	<u>\$ 7,337</u>	<u>\$ (12,616)</u>
Location of loss recognized in change in net assets	Change in value of interest rate swap	Change in value of interest rate swap

Note 10: Internal Borrowings

During 2010, borrowings within the University were made from the endowment fund for capital projects. The borrowings from the endowment fund totaled \$7,354,765 and \$7,856,716 at June 30, 2021 and 2020, respectively. The loan is being used for renovations to the Engineering and Business Building, and the Wellness Center. This loan is being amortized over 25 years, bears interest monthly at LIBOR plus 1.4 percent and will be repaid from unrestricted operations. This loan bears interest monthly at LIBOR plus 1.4 percent and will be repaid by specific contributions.

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Note 11: Net Assets With Donor Restriction

Net assets with donor restrictions at June 30, 2021 and 2020, are restricted for the following purposes or periods:

	<u>2021</u>	<u>2020</u>
Subject to expenditure for specified purpose		
Unexpended property and equipment funds	\$ 706,580	\$ 768,374
Other purposes of the University	701,194	680,246
	<u>1,407,774</u>	<u>1,448,620</u>
Subject to the passage of time		
Trusts and gift annuities	1,440,411	1,261,224
Endowments		
Subject to appropriation and expenditure when a specified event occurs	86,943,213	58,290,472
Subject to endowment spending policy and appropriation		
Scholarships and operations	67,787,476	66,059,672
Annuity, life income and charitable remainder and perpetual trusts	10,223,030	8,541,058
	<u>78,010,506</u>	<u>74,600,730</u>
Total endowments	<u>164,953,719</u>	<u>132,891,202</u>
Total net assets with donor restrictions	<u>\$ 167,801,904</u>	<u>\$ 135,601,046</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of the passage of time or other events specified by donors as follows:

	<u>2021</u>	<u>2020</u>
Purpose restrictions accomplished		
Educational program expenses	\$ 50,298	\$ 4,965,232
Other	-	2,852,709
Property and equipment acquired and placed into service	369,663	2,756,072
Time restrictions expired, passage of time	60,367	52,465
	<u>\$ 480,328</u>	<u>\$ 10,626,478</u>

Note 12: Endowment

The University's endowment consists of approximately 500 individual funds established for a variety of purposes. The endowment includes only donor-restricted endowment funds. As required by accounting principles generally accepted in the United States of America (GAAP), net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

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The University's governing body has interpreted the State of Ohio Uniform Prudent Management of Institutional Funds Act (Ohio UPMIFA) as requiring preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the University classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of donor-restricted endowment funds is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the University in a manner consistent with the standard of prudence prescribed by Ohio UPMIFA. In accordance with Ohio UPMIFA, the University considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. Duration and preservation of the fund
2. Purposes of the University and the fund
3. General economic conditions
4. Possible effect of inflation and deflation
5. Expected total return from investment income and appreciation or depreciation of investments
6. Other resources of the University
7. Investment policies of the University

The endowment assets are comprised of investments, beneficial interests, assets held in trust and the internal loan. The composition of net assets by type of endowment fund at June 30, 2021 and 2020, was:

	2021		
	Without Donor Restriction	With Donor Restriction	Total
Board-designated endowment funds	\$ 1,821,159	\$ -	\$ 1,821,159
Donor-restricted endowment funds	-	164,953,719	164,953,719
Total endowment funds	\$ 1,821,159	\$ 164,953,719	\$ 166,774,878

	2020		
	Without Donor Restriction	With Donor Restriction	Total
Board-designated endowment funds	\$ 1,478,000	\$ -	\$ 1,478,000
Donor-restricted endowment funds	-	132,891,202	132,891,202
Total endowment funds	\$ 1,478,000	\$ 132,891,202	\$ 134,369,202

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Changes in endowment net assets for the years ended June 30, 2021 and 2020, were:

	2021		
	Without Donor Restriction	With Donor Restriction	Total
Endowment net assets, beginning of year	\$ 1,478,000	\$ 132,891,202	\$ 134,369,202
Investment return			
Investment income	3,911,862	-	3,911,862
Net appreciation	2,125,660	28,652,742	30,778,402
Total investment return	6,037,522	28,652,742	34,690,264
Change in value of split-interest agreements	-	2,043,932	2,043,932
Contributions	-	1,365,843	1,365,843
Appropriation of endowment assets for expenditure	(5,694,363)	-	(5,694,363)
Endowment net assets, end of year	\$ 1,821,159	\$ 164,953,719	\$ 166,774,878

	2020		
	Without Donor Restriction	With Donor Restriction	Total
Endowment net assets, beginning of year	\$ -	\$ 139,563,218	\$ 139,563,218
Investment return			
Investment income	2,969,690	-	2,969,690
Net depreciation	(1,734,922)	-	(1,734,922)
Total investment return	1,234,768	-	1,234,768
Change in value of split-interest agreements	-	(431,531)	(431,531)
Contributions	1,478,000	1,577,456	3,055,456
Appropriation of endowment assets for expenditure	(1,234,768)	(7,817,941)	(9,052,709)
Endowment net assets, end of year	\$ 1,478,000	\$ 132,891,202	\$ 134,369,202

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level the University is required to retain as a fund of perpetual duration pursuant to donor stipulation or Ohio UPMIFA. At June 30, 2020, funds with original gift values of \$2,495,716, fair values of \$2,432,099 and deficiencies of \$63,617 were reported in net assets with donor restrictions. There were no such deficiencies at June 30, 2021.

The University has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs and other items supported by its endowment while seeking to maintain the purchasing power of the endowment. Endowment assets include those assets of donor-restricted endowment funds the University must hold in perpetuity or for donor-specified periods. Under the University's policies, endowment assets are invested in a manner that is intended to produce results that shall exceed the Consumer Price Index plus 5 percent over a five-year moving period without undue exposure to investment risk. The University expects its endowment funds to provide an average rate of return of approximately 8 percent annually over time. Actual returns in any given year may vary from this amount.

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To satisfy its long-term rate of return objectives, the University relies on a total return strategy in which investment returns are achieved through both current yield (investment income such as dividends and interest) and capital appreciation (both realized and unrealized). The University targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

The University has a policy (the spending policy) of appropriating for expenditure each year up to 5 percent, with Board approval, of its endowment fund's average fair value over the prior three years through the calendar year-end preceding the fiscal year in which expenditure is planned. The spending rate for fiscal year ending June 30, 2021, was 4.40 percent. The administration may request spending up to the 5 percent level annually based on market conditions that must be approved by the Board of Trustees. In establishing this policy, the University considered the long-term expected return on its endowment and inflationary trends. Accordingly, over the long term, the University expects the current spending policy to allow its endowment to grow at an average of 3 percent annually. This is consistent with the University's objective to maintain the purchasing power of endowment assets held in perpetuity or for a specified term, as well as to provide additional real growth through new gifts and investment return.

In 2020, the Board approved an additional, one-time spend from the operational endowment of approximately \$2.9 million to fund the voluntary separation incentive plan.

Note 13: Related Party Transactions

The University currently maintains investments and trust asset accounts with institutions that also have representatives serving on the Board of Trustees of the University. Total investments and trust assets held with these institutions amount to approximately \$52,000,000 and \$44,800,000 as of June 30, 2021 and 2020, respectively. The fees paid to related parties, inclusive of investment, insurance and other fees for services performed by these parties amounted to approximately \$34,349 and \$136,702 for 2021 and 2020, respectively.

Note 14: Pension and Other Postretirement Benefit Plans

The University maintains a 403(b) defined-contribution plan covering substantially all employees. The Board of Trustees annually determines the amount, if any, of the University's contributions to the plan. Pension expense was approximately \$1,822,000 and \$2,117,000 for 2021 and 2020, respectively.

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The University has a noncontributory defined benefit postretirement health care plan covering all employees who meet the eligibility requirements. The University's funding policy is to make the minimum annual contribution that is required by applicable regulations, plus such amounts as the University may determine to be appropriate from time to time. The University expects to contribute \$152,000 to the plan in 2022.

The University uses a June 30 measurement date for the plans. Information about the plan's funded status and pension cost follows:

	Other Benefits	
	2021	2020
Change in benefit obligation		
Beginning of year	\$ (1,883,179)	\$ (1,759,469)
Service cost	(67,748)	(55,321)
Interest cost	(45,850)	(55,781)
Actuarial loss	(99,579)	(67,058)
Plan amendment	363,050	-
Participant contributions	(100,855)	(101,720)
Benefit payments	161,055	156,170
End of year	<u>(1,673,106)</u>	<u>(1,883,179)</u>
Fair value of plan assets	<u>-</u>	<u>-</u>
Funded status at end of year	<u>\$ (1,673,106)</u>	<u>\$ (1,883,179)</u>

Liabilities recognized in accrued expenses in the statements of financial position:

	Other Benefits	
	2021	2020
Accrued benefit liability	<u>\$ (1,673,106)</u>	<u>\$ (1,883,179)</u>

Amounts recognized in net assets without donor restrictions not yet recognized as components of net periodic benefit cost consist of:

	Other Benefits	
	2021	2020
Net loss	\$ 622,646	\$ 547,307
Prior service credit	<u>(363,050)</u>	<u>-</u>
	<u>\$ 259,596</u>	<u>\$ 547,307</u>

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Other significant balances and costs as of June 30 are:

	Other Benefits	
	2021	2020
Benefit costs	\$ 137,838	\$ 133,121
Employer contributions	60,200	54,450
Benefits paid	161,055	156,170

Components of net periodic benefit cost are:

	Other Benefits	
	2021	2020
Service cost	\$ 67,748	\$ 55,321
Interest cost	45,850	55,781
Recognized net actuarial loss	24,240	22,019
	<u>\$ 137,838</u>	<u>\$ 133,121</u>

The estimated net loss for the other defined benefit postretirement plan that will be amortized from net assets without donor restrictions into net periodic benefit cost over the next fiscal year is \$26,427.

Weighted-average assumptions used to determine benefit obligations:

	Other Benefits	
	2021	2020
Discount rate	3.50%	3.25%
Rate of compensation increase	N/A	N/A
Health care cost trend	6.50%	7.00%

Weighted-average assumptions used to determine benefit costs:

	Other Benefits	
	2021	2020
Discount rate	3.50%	3.25%
Rate of compensation increase	N/A	N/A
Health care cost trend	6.50%	7.00%

For measurement purposes, a 6.50 percent and 7.00 percent annual rate of increase in the per capita cost of covered health care benefits was assumed for 2021 and 2020. The rate was assumed to decrease gradually to 3.50 percent by the year 2024 and remain at that level thereafter.

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On December 8, 2003, the *Medicare Prescription Drug, Improvement and Modernization Act of 2003* (Act) was signed into law. The Act introduces a prescription drug benefit under Medicare Part D, as well as a federal subsidy to sponsors of retiree health care benefit plans that provide benefits at least actuarially equivalent to Medicare Part D. The University has determined that this benefit has no effect on the measurement of plan benefit obligations and periodic benefit costs.

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid as of June 30, 2021:

	Other Benefits
2022	\$ 152,248
2023	148,200
2024	128,088
2025	113,544
2026	82,800
2027 - 2031	378,788

Note 15: Disclosures About Fair Value of Assets and Liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

- Level 1** Quoted prices in active markets for identical assets or liabilities
- Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities
- Level 3** Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities

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Recurring Measurements

The following tables present the fair value measurements of assets and liabilities recognized in the accompanying statements of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at June 30, 2021 and 2020:

	2021			
	Fair Value	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments				
Money market funds	\$ 10,124,585	\$ 10,124,585	\$ -	\$ -
U.S. Treasury securities and government agency bonds	1,988,655	1,560,006	428,649	-
Corporate debt securities	6,217,029	-	6,217,029	-
Mortgage-backed securities, GSEs	311,312	-	311,312	-
Municipal bonds	221,576	-	221,576	-
Mutual funds				
Equity	42,448,887	42,448,887	-	-
Fixed income	15,533,595	15,533,595	-	-
International	26,535,535	26,535,535	-	-
Alternative funds	10,050,510	10,050,510	-	-
Common stocks				
Industrials	2,451,930	2,451,930	-	-
Consumer discretionary	2,101,897	2,101,897	-	-
Consumer staples	1,025,999	1,025,999	-	-
Energy	949,253	949,253	-	-
Financial	4,036,563	4,036,563	-	-
Materials	1,109,776	1,109,776	-	-
Information technology	5,758,044	5,758,044	-	-
Health care	3,922,881	3,922,881	-	-
Other	3,451,196	3,451,196	-	-
Alternative investments				
Hedge funds (A)	9,804,525	-	-	-
Investment in real estate	2,700,000	-	-	2,700,000
Annuity and Life Income Funds Held in Trust				
Corporate debt securities	1,151,346	-	1,151,346	-
Money market funds	3,743	3,743	-	-
Value, growth and blended fixed income	4,799,747	4,799,747	-	-
Beneficial Interest in Perpetual Trusts	6,762,673	-	-	6,762,673
Beneficial Interest in Charitable Remainder Trusts	230,037	-	-	230,037
Interest Rate Swap Agreements	(1,844)	-	(1,844)	-

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	2020			
	Fair Value	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments				
Money market funds	\$ 10,748,605	\$ 10,748,605	\$ -	\$ -
U.S. Treasury securities and government agency bonds	1,691,583	1,250,207	441,376	-
Corporate debt securities	3,712,980	-	3,712,980	-
Mortgage-backed securities, GSEs	552,217	-	552,217	-
Municipal bonds	233,703	-	233,703	-
Mutual funds				
Equity	26,046,691	26,046,691	-	-
Fixed income	13,159,783	13,159,783	-	-
International	21,058,254	21,058,254	-	-
Alternative funds	8,662,513	8,662,513	-	-
Common stocks				
Industrials	1,586,710	1,586,710	-	-
Consumer discretionary	1,782,310	1,782,310	-	-
Consumer staples	1,093,720	1,093,720	-	-
Energy	593,500	593,500	-	-
Financial	2,304,884	2,304,884	-	-
Materials	653,508	653,508	-	-
Information technology	4,621,289	4,621,289	-	-
Health care	3,309,146	3,309,146	-	-
Other	2,635,406	2,635,406	-	-
Alternative investments				
Limited partnerships (A)	6,248,801	-	-	-
Hedge funds (A)	7,177,074	-	-	-
Investment in real estate	2,548,000	-	-	2,548,000
Annuity and Life Income Funds Held in Trust				
Corporate debt securities	1,321,563	-	1,321,563	-
Money market funds	43,759	43,759	-	-
Value, growth and blended fixed income	4,066,993	4,066,993	-	-
Beneficial Interest in Perpetual Trusts	5,492,560	-	-	5,492,560
Beneficial Interest in Charitable Remainder Trusts	331,560	-	-	331,560
Interest Rate Swap Agreements	(9,181)	-	(9,181)	-

(A) Certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts included above are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statements of financial position.

University of Mount Union
Notes to Consolidated Financial Statements
June 30, 2021 and 2020

Following is a description of the valuation methodologies and inputs used for assets and liabilities measured at fair value on a recurring basis and recognized in the accompanying statements of financial position, as well as the general classification of such assets and liabilities pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the year ended June 30, 2021. For assets classified within Level 3 of the fair value hierarchy, the process used to develop the reported fair value is described below. The University has no assets or liabilities measured at fair value on a nonrecurring basis.

Investments and Annuity and Life Income Funds Held in Trust

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy. See the table below for inputs and valuation techniques used for Level 3 securities.

Beneficial Interest in Perpetual Trusts

Fair value is estimated at the present value of the future distributions expected to be received over the term of the agreement, which approximates the fair value of the underlying assets of the trusts. Due to the nature of the valuation inputs, the interest is classified within Level 3 of the hierarchy.

Beneficial Interest in Charitable Remainder Trusts

Fair value is estimated at the present value of the future assets expected to be received from the trusts upon dissolution. Due to the nature of the valuation inputs, the interest is classified within Level 3 of the hierarchy.

Interest Rate Swap Agreements

The fair value is estimated using forward-looking interest rate curves and discounted cash flows that are observable or that can be corroborated by observable market data and, therefore, are classified within Level 2 of the valuation hierarchy.

Level 3 Valuation Process

Fair value determinations for Level 3 measurements of securities and trusts are the responsibility of the Controller's Office. The Controller's Office obtains information to generate fair value estimates on a monthly or quarterly basis. The Controller's Office challenges the reasonableness of the assumptions used and reviews the methodology to ensure the estimated fair value complies with accounting standards generally accepted in the United States of America.

University of Mount Union
Notes to Consolidated Financial Statements
June 30, 2021 and 2020

Level 3 Reconciliation

The following is a reconciliation of the beginning and ending balances of recurring fair value measurements recognized in the accompanying statements of financial position using significant unobservable (Level 3) inputs:

	Beneficial Interest in Perpetual Trusts	Interest in Charitable Remainder Trusts	Corporate Debt Securities	Investment in Real Estate
Balance, July 1, 2019	\$ 5,700,872	\$ 314,982	\$ 106,397	\$ 2,532,000
Sales	-	-	(106,397)	-
Total realized and unrealized gains (losses) included in change in net assets	(208,312)	16,578	-	16,000
Balance, June 30, 2020	5,492,560	331,560	-	2,548,000
Sales	-	-	-	-
Total realized and unrealized gains (losses) included in change in net assets	1,270,113	(101,523)	-	152,000
Balance, June 30, 2021	<u>\$ 6,762,673</u>	<u>\$ 230,037</u>	<u>\$ -</u>	<u>\$ 2,700,000</u>
Total gains (losses) for the period included in change in net assets attributable to the change in unrealized gains related to assets and liabilities still held at the reporting date				
June 30, 2021	<u>\$ 1,270,113</u>	<u>\$ (101,523)</u>	<u>\$ -</u>	<u>\$ 152,000</u>
June 30, 2020	<u>\$ (208,312)</u>	<u>\$ 16,578</u>	<u>\$ -</u>	<u>\$ -</u>

The unrealized gains (losses) for the perpetual trusts and charitable remainder trusts are included in revenue, gains and other support.

University of Mount Union
Notes to Consolidated Financial Statements
June 30, 2021 and 2020

Unobservable (Level 3) Inputs

The following tables present quantitative information about unobservable inputs used in recurring Level 3 fair value measurements:

	Fair Value at June 30, 2021	Valuation Technique	Unobservable Inputs	Range
Beneficial interest in perpetual trusts	\$ 6,762,673	Discounted cash flows	Discount rates Market return rates	3% - 7%
Beneficial interest in charitable remainder trusts	230,037	Discounted cash flows	Mortality assumptions Market return rates	4% - 8%
Investment in real estate	2,700,000	Discounted cash flows	Discount rates Market comparables	3% - 10%

	Fair Value at June 30, 2020	Valuation Technique	Unobservable Inputs	Range
Beneficial interest in perpetual trusts	\$ 5,492,560	Discounted cash flows	Discount rates Market return rates	3% - 7%
Beneficial interest in charitable remainder trusts	331,560	Discounted cash flows	Mortality assumptions Market return rates	4% - 8%
Investment in real estate	2,548,000	Discounted cash flows	Discount rates Market comparables	3% - 10%

University of Mount Union
Notes to Consolidated Financial Statements
June 30, 2021 and 2020

Note 16: Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

	2021	2020
Cash and cash equivalents	\$ 22,742,807	\$ 17,842,481
Accounts receivable, net of allowance	1,516,654	1,159,976
Contributions receivable	290,962	160,462
Investments	6,100,000	5,900,000
Beneficial interest in perpetual trust and charitable remainder trusts	132,336	132,336
	\$ 30,782,759	\$ 25,195,255

The University regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the University considers all expenditures related to its ongoing mission-related activities, as well as the conduct of service undertaken to support those activities, to be general expenditures.

The University has various sources of liquidity at its disposal, including cash and cash equivalents, marketable debt and equity securities, and a line of credit (Note 6). At June 30, 2021, the University has \$86,943,213 of accumulated earnings on endowment net assets, while not expected to be needed, represent the spendable yet restricted portion of the University's donor-restricted endowment that could be used to meet cash needs if necessary. Student loan receivables are not considered to be available to meet general expenditures because principal and interest payments on these loans are used solely to make new loans.

In addition to financial assets available to meet general expenditures within one year, the University operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources.

Note 17: Revenue from Contracts with Students

Tuition and Auxiliary Services Revenue

Revenue from contracts with students for tuition, residential services, bookstore and meal plan services is reported at the amount that reflects the consideration to which the University expects to be entitled in exchange for providing instruction and housing, food and other services. These amounts are due from students, third-party payers and others and are net of scholarships and institutional aid of \$32,345,647 and \$31,354,708 for the years ended June 30, 2021 and 2020, respectively.

University of Mount Union

Notes to Consolidated Financial Statements

June 30, 2021 and 2020

Revenue is recognized as performance obligations are satisfied, which is primarily ratably over the academic term with the exception of certain meal plans, bookstore fees, and other miscellaneous fees that are recognized at a point in time. Generally, the University bills students prior to the beginning of the semester, and student accounts receivable are due in full before classes begin.

If a student withdraws within the first week of the beginning of the academic term, the student is entitled to a full refund. If a student withdraws during the second week of the academic term, the student is entitled to a 75 percent refund. If a student withdraws during the third week of the academic term, the student is entitled to a 50 percent refund. If a student withdraws during the fourth week of the academic term, the student is entitled to a 25 percent refund. No refunds are awarded after the end of the fourth week of the academic term. The University determines the refund liability at year-end based on actual experience subsequent to year-end.

Tuition, residential services and meal plan services revenue are considered to be separate performance obligations. The University allocates the fees charged to students to tuition and housing, food and other services based on standalone charges to students for tuition and those other services.

Transaction Price and Recognition

The University determines the transaction price based on standard charges for goods and services provided, reduced by certain institutional scholarships and aid in accordance with the University's policies for granting certain merit-based aid. The University determines its estimates of explicit price concessions based on its discount policies and merit awards.

From time to time the University will incur student credit balances and student deposits which represent the excess of tuition and fees and other student payments received as compared to amounts recognized as revenue. These amounts are excluded from revenues and are recorded as liabilities until they are refunded. As of June 30, 2021, and 2020, the University has a liability for refunds or deposits from students recorded of \$393,650 and \$262,200, respectively.

The University has determined that the nature, amount, timing and uncertainty of revenue and cash flows are affected by the following factors:

- Payers (for example, students' governmental programs and others) that have different reimbursement and payment methodologies
- Demographic and enrollment trends
- Institutional aid and federal and state aid programs

University of Mount Union
Notes to Consolidated Financial Statements
June 30, 2021 and 2020

Performance Obligations and Transaction Price Allocated to Remaining Performance Obligations

Because all of its performance obligations relate to contracts with a duration of less than one year, the University has elected to apply the optional exemption provided in FASB ASC 606-10-50-14(a) and, therefore, is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period. The unsatisfied or partially unsatisfied performance obligations referred to above are primarily related to providing instruction to students. The performance obligations for these contracts are generally completed when the academic term is completed.

The University expects to recognize revenue of \$1,491,160 of tuition revenue in fiscal 2022 when the summer 2020 academic term is completed.

Disaggregation of Revenue

The composition of revenues by segment for the years ended June 30, 2021 and 2020, is as follows:

	2021	2020
Net tuition and fees	\$ 35,871,927	\$ 36,460,249
Room	7,240,839	5,747,498
Board	4,239,988	3,836,128
Other	659,735	540,964
	<u>\$ 48,012,489</u>	<u>\$ 46,584,839</u>

The composition of revenue based on timing of revenue recognition for the years ended June 30, 2021 and 2020, are as follows:

	2021	2020
Services transferred over time	\$ 43,112,766	\$ 42,207,747
Sales at point in time	4,899,723	4,377,092
	<u>\$ 48,012,489</u>	<u>\$ 46,584,839</u>

University of Mount Union
Notes to Consolidated Financial Statements
June 30, 2021 and 2020

Contract Balances

The following table provides information about the University's receivables and contract liabilities:

	<u>2021</u>	<u>2020</u>
Accounts receivable, beginning of the year	\$ 759,968	\$ 670,346
Accounts receivable, end of the year	924,753	759,968
Deferred revenue, beginning of the year	1,009,712	994,175
Deferred revenue, end of the year	1,491,160	1,009,712

Deferred revenue balances are included within accrued expenses on the statements of financial position.

Note 18: Significant Estimates and Concentrations

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Those matters include the following:

Contributions

Approximately 28 percent and 37 percent of contributions receivable were from two and three donors at June 30, 2021 and 2020, respectively.

Approximately 36 percent of contribution revenue resulted from one donor in 2020. There was no such concentration in 2021.

Investments

The University invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in values of investment securities will occur in the near term and that such changes could materially affect the investment amounts reported in the statements of financial position.

Claims

The University is subject to other claims and lawsuits that arose primarily in the ordinary course of its activities. It is the opinion of management that the disposition or ultimate resolution of such claims and lawsuits will not have a material adverse effect on the financial position, change in net assets and cash flows of the University.

University of Mount Union
Notes to Consolidated Financial Statements
June 30, 2021 and 2020

Note 19: Voluntary Separation Incentive Program

In 2020, the University offered a voluntary separation incentive program (VSIP) to certain eligible employees. These actions resulted in expenses for severance and benefits of \$2,706,869. The University has recorded these expenses as non-operating due to its non-recurring nature.

Note 20: Coronavirus Events

The spread of the SARS-CoV-2 virus and the incident of COVID-19 impacted and disrupted the University's operations over the past year. Adhering to public safety measures and government mandates resulted in events and activities being limited or cancelled, including changes to how the University delivered educational and related auxiliary services during fiscal 2021. The University plans on widespread return to on-campus and normal operations and activities in the fall of 2021. Given the uncertainty and the disruption caused by COVID-19, there may be continuing short and long-term implications to the University's operations and the ultimate financial effects cannot be reasonably estimated at this time.

Higher Education Emergency Relief Funds

Federal relief efforts have been created to help offset revenue losses and expense increases that colleges and universities faced because of COVID-19. The *Coronavirus Aid, Relief, and Economic Security Act* (CARES) created a Higher Education Emergency Relief Fund (HEERF) to provide financial relief to students and institutions who were impacted by the COVID-19 pandemic. The *Coronavirus Response and Relief Supplemental Appropriations Act* (CRRSAA) and the American Rescue Plan (ARP) provided additional rounds of HEERF (II and III). The HEERF funds contained two components, an institutional award and a student aid award. The student aid portion must be distributed to students in the form of emergency financial aid grants to generally cover any component of the cost of attendance for the distribution of education or emergency costs that arose due to COVID-19. The institutional portion can be used for multiple items, but largely to cover lost revenue, defray and pay for expenses related to the disruption of campus operations due to COVID-19, and reimburse for costs associated with a transition to distance education environment, among other items.

The following cumulative amounts have been awarded as HEERF as of June 30, 2021 and 2020:

	2021			2020		
	Student Portion	Institutional Portion	Total	Student Portion	Institutional Portion	Total
Awarded						
HEERF I	\$ 1,104,794	\$ 1,104,793	\$ 2,209,587	\$ 1,104,794	\$ 1,104,793	\$ 2,209,587
HEERF II	1,104,794	2,130,886	3,235,680	-	-	-
HEERF III	2,873,761	2,873,761	5,747,522	-	-	-
	<u>\$ 5,083,349</u>	<u>\$ 6,109,440</u>	<u>\$ 11,192,789</u>	<u>\$ 1,104,794</u>	<u>\$ 1,104,793</u>	<u>\$ 2,209,587</u>

University of Mount Union
Notes to Consolidated Financial Statements
June 30, 2021 and 2020

The following amounts have been applied to the grant for the years ending June 30, 2021 and 2020:

	<u>2021</u>			<u>2020</u>		
	<u>Student Portion</u>	<u>Institutional Portion</u>	<u>Total</u>	<u>Student Portion</u>	<u>Institutional Portion</u>	<u>Total</u>
Amounts Applied						
HEERF I	\$ 236,336	\$ -	\$ 236,336	\$ 868,458	\$ 1,104,793	\$ 1,973,251
HEERF II	1,104,794	2,130,886	3,235,680	-	-	-
HEERF III	-	2,873,761	2,873,761	-	-	-
	<u>\$ 1,341,130</u>	<u>\$ 5,004,647</u>	<u>\$ 6,345,777</u>	<u>\$ 868,458</u>	<u>\$ 1,104,793</u>	<u>\$ 1,973,251</u>

Coronavirus Relief Funds

Additionally, the CARES Act created the Coronavirus Relief Fund (CRF) to provide State and Local governments with funding to navigate the impact of COVID-19. As a part of this program, the State of Ohio passed funding in the amount of \$2,158,063 to the University during the year ended June 30, 2021. These funds were to be used to offset additional costs incurred by the University as a result of the coronavirus, including additional mental health assistance.

Note 21: U.S. Department of Education Financial Responsibility Ratio

The following information is required by the U.S. Department of Education for the year ended June 30, 2021:

	<u>2021</u>
Property, plant and equipment, net of accumulated depreciation pre-implementation	\$ 128,644,264
Property, plant and equipment, net of accumulated depreciation post-implementation without outstanding debt for purchase	12,308,216
Total revenue and gains without donor restrictions	64,061,942

Note 22: Subsequent Events

Subsequent events have been evaluated through October 25, 2021, which is the date the financial statements were available to be issued.

Supplementary Information

University of Mount Union
Financial Responsibility Supplemental Schedule
Required by the U.S. Department of Education
Year Ended June 30, 2021

Ratio Element	Reference to Financial Statements and/or Notes	2021
Primary Reserve Ratio		
Expendable Net Assets		
Net assets without donor restrictions	Statement of Financial Position	\$ 136,854,299
Net assets with donor restrictions	Statement of Financial Position	167,801,904
Net assets with donor restrictions - restricted in perpetuity	Note 11	78,010,506
Annuities and life income funds with donor restrictions	Note 11	1,440,411
Unsecured related party receivables	Not applicable to the University	-
Intangible assets	Not applicable to the University	-
Post-employment and defined benefit pension plan liabilities	Note 14	1,673,106
Property, plant and equipment, net of accumulated depreciation - pre-implementation	Note 21	\$ 128,644,264
Property, plant and equipment, net of accumulated depreciation - post-implementation with outstanding debt for original purchase	Not applicable to the University	-
Property, plant and equipment, net of accumulated depreciation - post-implementation without outstanding debt for original purchase	Note 21	12,308,216
Construction in progress	Note 5	<u>883,642</u>
Total property, plant and equipment, net	Statement of Financial Position	<u>\$ 141,836,122</u>
Long-term debt obtained for long-term purposes - pre-implementation	Statement of Financial Position	\$ 17,881,119
Long-term debt obtained for long-term purposes - post-implementation	Not applicable to the University	-
Total Expenses and Losses		
Total expenses and losses without donor restrictions	Statement of Activities	\$ 58,258,769
Equity Ratio		
Modified Net Assets		
Net assets without donor restrictions	Statement of Financial Position	\$ 136,854,299
Net assets with donor restrictions	Statement of Financial Position	167,801,904
Intangible assets	Not applicable to the University	-
Unsecured related party receivables	Not applicable to the University	-
Modified Assets		
Total assets	Statement of Financial Position	\$ 335,252,769
Intangible assets	Not applicable to the University	-
Unsecured related party receivables	Not applicable to the University	-
Net Income Ratio		
Change in net assets without donor restrictions	Statement of Activities	\$ 5,803,173
Total revenue and gains without donor restrictions	Note 21	64,061,942

University of Mount Union
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2021

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Assistance Listing Number	Total Federal Expenditures
Department of Education		
Direct Programs		
Student Financial Assistance Cluster		
Federal Pell Grant Program	84.063	\$ 2,862,554
Federal Work-Study Program	84.033	150,963
Federal Supplemental Educational Opportunity Grants	84.007	142,414
Federal Perkins Loan Program	84.038	1,843,682
Federal Direct Student Loans	84.268	19,964,950
Teacher Education Assistance for College and Higher Education Grants	84.379	41,212
Total Student Financial Assistance Cluster		<u>25,005,775</u>
Other Department of Education Programs		
COVID-19-Higher Education Emergency Relief Fund - Students	84.425E	1,341,130
COVID-19-Higher Education Emergency Relief Fund - Institution	84.425F	5,004,647
Total Higher Education Relief Fund		<u>6,345,777</u>
Total Department of Education		<u>31,351,552</u>
Department of Treasury		
Passed through Ohio Department of Education		
COVID-19-Coronavirus Relief Fund	21.019	2,063,927
Passed through Ohio Department of Mental Health and Addiction Services		
COVID-19-Coronavirus Relief Fund	21.019	94,136
Total Department of Treasury		<u>2,158,063</u>
Department of Health and Human Services		
Direct Program		
Grants for Primary Care Training and Enhancement	93.884	12,281
Total Department of Health and Human Services		<u>12,281</u>
Total Expenditures of Federal Awards		<u>\$ 33,521,896</u>

University of Mount Union
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2021

Notes to Schedule

1. This schedule of expenditures of federal awards (Schedule) includes the federal award activity of University of Mount Union under programs of the federal government for the year ended June 30, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Because the Schedule presents only a selected portion of the operations of University of Mount Union, it is not intended to and does not present the financial position, changes in net assets or cash flows of University of Mount Union.
2. Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The University has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.
3. The University has \$1,380,109 of Federal Perkins Loans outstanding at June 30, 2021, which are included in the University's financial statements. Amounts included in the schedule of expenditures of federal awards pertaining to this program include the loans outstanding at the beginning of the year, as well as any loans made during the year. There were no loans made during the year ended June 30, 2021.
4. There were no subrecipients during the year ended June 30, 2021.

**Report on Internal Control Over Financial Reporting and on Compliance and
Other Matters Based on an Audit of Financial Statements Performed in
Accordance with *Government Auditing Standards***

Independent Auditor's Report

Board of Trustees
University of Mount Union
Alliance, Ohio

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the consolidated financial statements of the University of Mount Union, which comprise the consolidated statement of financial position as of June 30, 2021, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated October 25, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the University's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, we do not express an opinion on the effectiveness of the University's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the University's consolidated financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the University's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the consolidated financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the University's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BKD, LLP

Fort Wayne, Indiana
October 25, 2021

Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance

Independent Auditor's Report

Board of Trustees
University of Mount Union
Alliance, Ohio

Report on Compliance for Each Major Federal Program

We have audited the University of Mount Union's (University) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the University's major federal programs for the year ended June 30, 2021. The University's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of University of Mount Union's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the University's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the University's compliance.

Opinion on Each Major Federal Program

In our opinion, University of Mount Union complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

Report on Internal Control Over Compliance

Management of University of Mount Union is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the University's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the University's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

BKD, LLP

Fort Wayne, Indiana
October 25, 2021

University of Mount Union

Schedule of Findings and Questioned Costs

Year Ended June 30, 2021

Summary of Auditor's Results

Financial Statements

1. The type of report the auditor issued on whether the financial statements audited were prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) was:
 Unmodified Qualified Adverse Disclaimer

2. The independent auditor's report on internal control over financial reporting disclosed:
 Significant deficiency(ies)? Yes None reported
 Material weakness(es)? Yes No

3. Noncompliance considered material to the financial statements was disclosed by the audit? Yes No

Federal Awards

4. The independent auditor's report on internal control over compliance for major federal awards programs disclosed:
 Significant deficiency(ies)? Yes None reported
 Material weakness(es)? Yes No

5. The opinion expressed in the independent auditor's report on compliance for major federal awards was:
 Unmodified Qualified Adverse Disclaimer

6. The audit disclosed findings required to be reported by 2 CFR 200.516(a)? Yes No

7. The University's major programs were:

Cluster/Program	Federal Assistance Listing Number
Student Financial Assistance Cluster	84.063, 84.033, 84.007, 84.038, 84.268 and 84.379
Higher Education Emergency Relief Fund	84.425
Coronavirus Relief Fund	21.019

8. The threshold used to distinguish between Type A and Type B programs was \$750,000.

9. The University qualified as a low-risk auditee? Yes No

University of Mount Union
Schedule of Findings and Questioned Costs
Year Ended June 30, 2021

Findings Required to be Reported by *Government Auditing Standards*

Reference Number	Finding
No matters are reportable.	

Findings Required to be Reported by the Uniform Guidance

Reference Number	Finding
No matters are reportable.	

University of Mount Union
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2021

Reference Number	Summary of Finding	Status
	No matters are reportable.	